

## Message Text

SECRET

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 DODE-00 PM-05 H-01 L-03 PA-01  
SS-15 NSCE-00 SSO-00 ICAE-00 INRE-00 /080 W  
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O R 111805Z JUL 78  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC IMMEDIATE 0111  
INFO EC COLLECTIVE

S E C R E T SECTION 01 OF 02 BONN 12690

E.O. 11652: GDS  
TAGS: PINT, GW, EEC  
SUBJECT: FRG CHANCELLERY ASSESSMENT OF SCHMIDT'S EC  
INTENTIONS

### BEGIN SUMMARY

DURING A GENERAL REVIEW OF GERMAN POLICY TOWARD THE EUROPEAN COMMUNITY, AN FRG CHANCELLERY OFFICIAL HAS TOLD US THAT CHANCELLOR SCHMIDT HOPES TO USE THE PERIOD OF THE GERMAN PRESIDENCY TO MAKE PROGRESS ON TWO ISSUES HE REGARDS AS CRUCIAL: THE CREATION OF AN ELECTED EUROPEAN ASSEMBLY AND THE ESTABLISHMENT OF FIRMER EUROPEAN MONE-TARY COOPERATION. THE OFFICIAL SAID THAT CHANCELLOR SCHMIDT WELL KNEW THAT THESE ISSUES WERE VERY DIFFICULT, BUT THAT HE FELT IT WAS VITAL TO FOCUS THE DISCUSSION AND TO MAKE SUCH PROGRESS AS COULD BE MADE. IN THAT CONTEXT, THE OFFICIAL OBSERVED, SCHMIDT WAS PLEASED WITH THE RESULTS OF THE BREMEN EC SUMMIT.  
END SUMMARY.

1. VON DER GABLENZ, AN OFFICIAL HANDLING POLITICAL/  
ECONOMIC AFFAIRS AT THE FRG CHANCELLERY, HAS TOLD THE  
POLITICAL COUNSELOR THE FOLLOWING REGARDING SCHMIDT'S  
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ATTITUDES TOWARDS THE EUROPEAN COMMUNITY AND THE BREMEN  
SUMMIT:

-- CHANCELLOR SCHMIDT WANTS TO USE THE GERMAN PRESIDENCY  
OF THE EUROPEAN COMMUNITY IN ORDER TO MAKE PROGRESS ON  
TWO AREAS THAT HE REGARDS AS CENTRAL TO THE DEVELOPMENT  
OF EUROPE: THE CREATION OF AN ELECTED EUROPEAN ASSEMBLY

AND THE DEVELOPMENT OF GREATER EUROPEAN MONETARY COLLABORATION.

-- THESE TWO ISSUES REPRESENT THE CHANCELLOR'S EUROPEAN VISION. THE CHANCELLOR IS TIRED OF SEEING EUROPE CREATE NEW ORGANIZATIONS AND NEW BUREAUCRATIC ESTABLISHMENTS THAT DO NOT SOLVE PROBLEMS. HE IS ALSO FRUSTRATED ABOUT WHAT HE REGARDS AS THE COMMUNITY'S TENDENCY TO DWELL ON ABSTRACT GENERAL PURPOSES AND PRINCIPLES. HE WISHES TO FOCUS COMMUNITY DISCUSSION AND ATTENTION MORE ON CONCRETE ISSUES AND CONCRETE SOLUTIONS. HE WISHES TO CREATE NEW OBJECTIVE CONDITIONS RATHER THAN NEW ORGANISMS.

-- THE MOVE TOWARD AN ELECTED EUROPEAN ASSEMBLY WAS NOT A PRINCIPAL TOPIC IN BREMEN. THERE IS PROGRESS ON THIS ISSUE. DURING THE FRG PRESIDENCY, SCHMIDT WILL TRY TO MAKE SURE THAT THIS PROGRESS CONTINUES AND THAT ANY DIFFICULTIES WHICH MAY ARISE WILL BE SUFFICIENTLY ADDRESSED AND SOLVED. SCHMIDT BELIEVES THAT AN ELECTED ASSEMBLY WILL CREATE ITS OWN POLITICAL REALITY. HE BELIEVES IT WILL LEAD TO THE CREATION OF POLITICAL ORGANIZATIONS STRETCHING ACROSS WESTERN EUROPE, THAT IT WILL ESTABLISH NEW PARTY ALIGNMENTS, AND THAT IT WILL PROMOTE NEW AND DIFFERENT KINDS OF POLITICAL DEBATE. IN SOME WAYS, HE BELIEVES THAT THESE EFFECTS OF AN ELECTED  
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ASSEMBLY MAY BE MORE SIGNIFICANT THAN THE ASSEMBLY ITSELF.

-- SCHMIDT WAS NOT DISAPPOINTED AT THE SOMEWHAT LIMITED RESULTS OF THE BREMEN SUMMIT IN THE AREA OF EUROPEAN MONETARY UNION. HE WOULD HAVE LIKED TO HAVE SEEN MORE PROGRESS BUT HE HAD NOT EXPECTED MORE IN THE LIGHT OF BRITISH "ATTITUDES" AND ITALIAN "DIFFICULTIES."

-- NONETHELESS, SCHMIDT THOUGHT THE DISCUSSION HAD BEEN USEFUL BECAUSE IT HAD BEEN TIGHTLY FOCUSED ON SPECIFIC TOPICS. NOBODY COULD DEAL IN PLATITUDES BUT HAD TO ADDRESS CONCRETE ISSUES.

-- THE ISSUE OF MONETARY COOPERATION IS NOT A SIMPLE ONE FOR THE FRG. GERMAN RESERVES WILL FORM THE BACKBONE OF THE EFFORT AND MAY SUFFER AS A RESULT. INFLATIONARY PRESSURES IN THE FRG WOULD BE STIMULATED. OTHERS, OF COURSE, WOULD SUFFER DEFLATIONARY PRESSURES. SCHMIDT UNDERSTANDS ALL THIS AND, WHEN DISCUSSING HIS PROPOSALS FOR CLOSER MONETARY COOPERATION, OFTEN SPEAKS OF THE "STRINGENCY" THAT WILL RESULT.

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TO SECSTATE WASHDC IMMEDIATE 0112  
INFO EC COLLECTIVE

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-- ON THE OTHER HAND, SCHMIDT BELIEVES THAT ALL EC COUNTRIES WILL BENEFIT FROM THE ADDITIONAL STABILITY THAT GREATER MONETARY COOPERATION WOULD INTRODUCE INTO EXCHANGE RATES. SCHMIDT FEELS THAT THIS STABILITY HAS BEEN UNDERMINED BY THE ENERGY PROBLEM AND MOST RECENTLY BY THE AMERICAN DOLLAR PROBLEM. THEREFORE, SCHMIDT BELIEVES ALL EC NATIONS WILL HAVE AN INTEREST IN CLOSER CURRENCY COOPERATION. HE HOPES TO SEE FURTHER PROGRESS IN SEPTEMBER AT THE EC COUNCIL MEETING.

-- WITH REFERENCE TO THE UPCOMING ECONOMIC SUMMIT, SCHMIDT BELIEVES HIS PROPOSALS FOR GREATER MONETARY COOPERATION WILL INCREASE THE CHANCES FOR PROGRESS AT THE SUMMIT BY CONTRIBUTING TO GREATER STABILITY FOR EUROPEAN CURRENCIES AND, THEREFORE, FOR ALL CURRENCIES.

-- AS CONCERNS NEW MEMBERS FOR THE EC, SCHMIDT DOES NOT BELIEVE THEY WILL SUFFER FROM THE ARRANGEMENTS FOR CLOSER MONETARY COLLABORATION. THERE IS ENOUGH FLEXIBILITY BUILT INTO THE PLANS TO ALLOW FOR THE SPECIAL

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CONDITIONS THAT WOULD BE FACED BY NEW MEMBERS OR EVEN  
PRESENT MEMBERS WHO MIGHT HAVE PARTICULAR PROBLEMS.  
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## Message Attributes

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